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DE RUEHML #0601/01 0702322
ZNR UUUUU ZZH
O 102322Z MAR 08
FM AMEMBASSY MANILA
TO RUEHC/SECSTATE WASHDC IMMEDIATE 0048
RHHMUNA/CDRUSPACOM HONOLULU HI IMMEDIATE
RUEHXS/ASSOCIATION OF SOUTHEAST ASIAN NATIONS

UNCLAS SECTION 01 OF 02 MANILA 000601

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E.O. 12958: N/A

TAGS: [PREL](#) [EAID](#) [RP](#) [AMGT](#)

SUBJECT: SCENESETTER FOR VISIT OF DIRECTOR GENERAL

¶1. (SBU) We warmly welcome your visit to the Philippines. The relationship between our two nations is deep and complex, and our partnership addressing a host of common issues has many faces. The U.S. is the Philippines' largest trading partner, the largest investor, and the largest donor of grant foreign assistance. During your visit, you will meet with Philippine Department of Foreign Affairs officials, observe American business in the Philippines, and meet with Embassy staff and family members. Our entire team looks forward to making your visit productive and interesting.

BACKGROUND

¶2. (U) The Philippines, with almost 90 million people, has one of the fastest-growing populations in Asia. Metro Manila, home to at least 12 million people, is the largest city in a country made up of over 7,000 mainly mountainous islands. Literacy (94%) remains high, although the standard of public education and other government services has declined in recent decades. Filipinos are mainly Roman Catholic (83%) or otherwise Christian (10%) with a Muslim minority (6%) largely concentrated on the southern island of Mindanao. The glittering high rises and high-end shops of the Makati, Ortigas and Ft. Bonifacio districts belie the fact that approximately 38 percent of Filipinos earn less than \$2 per day.

PHILIPPINE POLITICS

¶3. (SBU) Philippine politics remains unpredictable, with President Gloria Arroyo's administration facing renewed charges of corruption from a loose coalition of opportunist political opponents (and others with personal aspirations for high office), portions of the business community and civil society, and left-wing activist groups. Still, she retains a firm grip on the politically key House of Representatives, effectively checkmating any impeachment attempt, and can still count on the support of a large majority of provincial governors and local mayors. Her relationship with top security officials also remains strong, as evidenced by their recent reminders to military and police personnel to stay out of political debates and stay focused on their security roles. In general, the broad public may be suffering from scandal fatigue since repeated calls for the President's resignation have not mobilized sustained mass support for regime change in the vein of the "people power" movements of the past.

ECONOMICS AND TRADE

¶4. (SBU) The Philippine economy continues to perform well with growth of over 7 percent in 2007, the strongest expansion in three

decades. Unemployment and inflation are down, and government revenues are up, even in the face of rising fuel prices, continued corruption allegations, terrorist bombings, and political tumult. President Arroyo maintains an impressive reform agenda - to privatize the electric sector, build infrastructure, increase education funding, and reduce business red tape - but still faces significant hurdles, particularly in improving the investment climate, largely due to the powerful influence of an entrenched elite of traditional business families that see little benefit for themselves in opening the nation's economy. There is also considerable concern over the impact of a slowdown in U.S. economic growth, as the U.S. remains the Philippines' largest trading partner with over \$17.3 billion in two-way merchandise trade and as their largest investor with \$6.6 billion in equity.

COUNTERTERRORISM

¶5. (SBU) Three U.S.-designated terrorist organizations are active and dangerous in the Philippines, despite significant military success against them over the past two years. Parts of Muslim Mindanao remain a sanctuary for terrorists, who are responsible for bombings in the Philippines and Indonesia and kidnapping and killing of Americans, Filipinos and others. A Joint U.S. Special Operations Task Force (JSOTF-P) of several hundred personnel provides direct support to the Philippine Armed Forces in Mindanao, sharing intelligence, advice, and assistance while carefully avoiding any involvement in combat operations, which is forbidden by Philippine law. The major thrust of U.S. development assistance is focused in conflict-affected areas of Mindanao through USAID to help reduce support for terrorists. The Philippine military has undertaken successful programs to help separate local populations from insurgents through extensive civil-military and humanitarian activities. Separately, the New People's Army of the Communist

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Party continues to extort, bomb, and attack remote police and military outposts.

MISSION MANAGEMENT HIGHLIGHTS

¶6. (U) The Mission enjoys the active inter-agency participation of 27 USG agencies comprised of 315 U.S. direct hire positions (75 of whom, or more than 20%, are first or second tour officers), 1085 locally engaged staff, and 42 eligible family member employees. Completing our Mission are 450 family members. Three families are currently residing in Manila while their State spouses have volunteered for long term temporary duties in Iraq or Pakistan this year.

¶7. (U) Transition plans are being formulated to address extremely high levels of projected local staff turnover due to retirement and immigration over the next five years. This attrition also provides an opportunity to recruit tech-savvy staff who will help us find new solutions to management challenges. It will also dovetail with efforts to execute a long range plan for multi-agency administrative support service consolidation that is designed to create a common service platform. Completion of OBO construction of three new office annex buildings by 2012 will also consolidate virtually all USG staff on two compounds.

¶8. (U) Last year, the Mission inaugurated a Professional Development Center (PDC) to use limited training funds to bring more training opportunities to Manila from FSI, the regional training center in Bangkok, and through a Post train the trainer program. The initiative has been well received, with over 260 employees benefiting from training in Manila in 2007 and the focused course load is on track to expand to 35-40 courses and 300 more personnel in 2008. Manila's demand for long-term training is also evident as this Mission is also the largest overseas user of FSI distance learning courses.

YOUR PROGRAM

19. (U) Post has a variety of activities and meetings planned for you beginning Monday, March 24. The Ambassador will lead a Mission Briefing at the Chancery, followed by a discussion with senior Mission officials on effective leadership in times of crisis, with particular focus on handling staff morale and resources. Post invites you to deliver remarks at a town hall meeting of Mission personnel. The Acting Consul General will then give you a tour of the Consular Section, to be followed by an informal lunch with Foreign Service Specialists, who will be interested in issues relating to specialists and regional activities. Subsequently, the Embassy's local employee association will offer a presentation on its activities, followed by a briefing from the Human Resources Office on Manila's brain-drain, succession planning and EFM/MOH employment program. Beyond the Mission compound, the Philippine Foreign Service Institute will welcome you to learn about its process of selecting and training Filipino Foreign Service Officers.

Our regional USG publishing center, Global Publishing Solutions, will provide a tour of its facilities and an explanation of its operations. The Ambassador will host a reception for you with Embassy spouses. We have also organized a visit to one of Dell International's newest and largest call centers, for a glimpse of the inner workings of a dynamic American company conducting innovative human capital-intensive operations here.

Visit Embassy Manila's Classified SIPRNET website:
<http://www.state.sgov.gov/p/eap/manila/index.cfm>

You can also access this site through the State Department's
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